



PSC NEWS

Missouri Public Service Commission

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PSC CUTS ALGONQUIN RATE REQUESTS

JEFFERSON CITY—The Missouri Public Service Commission has approved an increase in annual water operating revenues of approximately \$254,363 for Algonquin Water Resources of Missouri, LLC (Algonquin). The Commission also approved an accompanying annual sewer operating revenue increase of approximately \$169,116. The Commission's vote was 4-1.

Algonquin, in a May 5, 2006 filing, sought to increase water operating revenues by approximately \$584,390 a year and sewer operating revenues by approximately \$309,272 a year.

For a residential customer using 6,000 gallons of water a month, water bills will increase from \$21.12 a month to \$44.85 a month. Algonquin sought a rate phase-in which would have ultimately taken that bill to \$70.50 a month. For a residential sewer customer using 6,000 gallons of water a month, the current monthly bill of \$51.42 will increase to \$121.13 a month. Algonquin sought a rate phase-in that would have taken that bill to \$181.50 a month.

This is the first rate increase for the subject water and sewer system since 1998 and is the first rate case filed by Algonquin since it purchased the water and sewer assets of Silverleaf Resorts, Inc. in 2005. The rate increase reflects increases in the company's operating and maintenance expenses.

As part of this case, Algonquin will begin charging Silverleaf Resorts, Inc. for non-potable water for golf course irrigation at the Holiday Hills Resort service area. Under existing rates, Silverleaf, the previous operator of the water system, had not billed for this non-potable water.

In its decision, the Commission rejected Algonquin's request to place into rate base, certain plant that was in service prior to 1993 but that Algonquin had claimed was not properly recorded by the system's previous operator (Silverleaf). The Commission also rejected Algonquin's request to place certain infrastructure in the rate base because it was determined to be contribution-in-aid-of-construction (when a customer requests an extension of water mains or collecting sewers to a customer, that customer bears the cost of the extension and contributes the water mains or collecting sewers at no cost to the utility). Typically, contribution-in-aid-of-construction is not included in the rate base of a utility because the utility has no investment in those facilities.

The Commission also determined that cost overruns involving completion of the Holiday Hills Well No. 2 project were imprudently incurred and that ratepayers should not have to bear those costs. The Commission agreed with the PSC Staff audit which showed that Silverleaf was not ready to go forward with the project in a timely fashion, and that Silverleaf, not the contractor, was the source of the delay in getting the project finished.

The Commission authorized Algonquin a return on equity (the return to the shareholder for investment in the company) of 11.25%. "The Commission concludes that Algonquin's risk is higher than that of larger American water and sewer utilities. The Commission agrees with Algonquin that it has a higher risk than a 'typical' regulated water utility due to its small size, lack of diversity in customer base, and nearly exclusive dependence on resort and timeshare property," the order said.

Algonquin provides water service to approximately 465 customers at the Holiday Hills Resort development in Taney County near Branson; water service to approximately 250 customers and sewer service to approximately 230 customers in the Ozark Mountain Resort development in Stone County near Kimberling City; and water and sewer service to approximately 25 service connections in the Timber Creek Resort development in Jefferson County near DeSoto, Missouri.